

**TIPTON COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(A COMPONENT UNIT OF TIPTON COUNTY, TENNESSEE)**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2008**

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*Tipton County Emergency Communications District*  
*June 30, 2008*

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## ROSTER OF OFFICIALS AND BOARD MEMBERS

*Tipton County Emergency Communications District*  
*June 30, 2008*

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Chairman: James Sneed  
2101 Wilkinsville Rd.  
Drummonds, TN 38023

Vice Chairman: Jim Harger  
59 Beechwood Drive  
Munford, TN 38058

Treasurer: Roy Warmath  
39 s. Gretna Green  
Munford, TN 38019

Director: Ruth Renee Downing  
75 Payton Road.  
Millington, TN 38053

Operations Mgr: Dana Howeth  
8175 Bow Lin Drive  
Bartlett, TN 38134

Board Member: Dale Burress  
48 Meadors Ridge Cv  
Drummonds, TN 38023

Board Member: Jeff Mason  
611 Clowes Road  
Covington, TN 38019

Board Member: Bennie Carver  
680 Rayburn Rd.  
Covington, TN 38019

Board Member: Larry McKee  
4336 Gilt Edge Road  
Munford, TN 38058

Board Member: Ricky Fletcher  
877 Plantation Road  
Munford, TN 38058

Board Member: Tommy Rogers  
4596 Tracy Road  
Atoka, TN 38004

# SCOTT & POHLMAN p.c.

CERTIFIED PUBLIC ACCOUNTANTS \_\_\_\_\_

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Tipton County Emergency Communications District  
Memphis, Tennessee

We have audited the accompanying financial statements of the Tipton County Emergency Communications District (a component unit of Tipton County, Tennessee) as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Tipton County Emergency Communications District's, management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Tipton County Emergency Communications District as of June 30, 2007 were audited by other auditors whose audit report dated August 14, 2007, expressed an unqualified opinion. The other auditors have since ceased operations.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Tipton County Emergency Communications District and do not purport to and do not, present fairly the financial position of Tipton County, Tennessee, as of June 30, 2008 and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tipton County Emergency Communications District as of June 30, 2008, and the results of operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2008, on our consideration of Tipton County Emergency Communications District's internal control over financial reporting and on our tests of its compliance and other matters with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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MEMPHIS, TN 38137-0617

The Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 6 and 20 through 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tipton County Emergency Communications District's basic financial statements. The Roster of Officials and Board Members, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation the financial statements of each of the respective individual funds taken as a whole.

*Scott & Pohlman, P.C.*

Scott & Pohlman, P.C.  
December 1, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*Tipton County Emergency Communications District  
June 30, 2008*

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Our discussion and analysis of Tipton County Emergency Communications District's financial performance provides an overview of its financial activities for the fiscal years ended June 30, 2008 and June 30, 2007. It should be read with the District's financial statements, which begin on page 8.

### **FINANCIAL HIGHLIGHTS**

- The District's net assets increased approximately 8% from the prior year as a result of this year's operations.
- Operating expenses increased to approximately \$912,000 in the current year, from \$874,000 for the year ending June 30, 2007.
- Current year revenues, including contributions and grants from participating local and state governments, were approximately \$998,000, a decrease from \$1,502,000 revenues in the immediately preceding year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of the following parts: Management's Discussion and Analysis, Financial Statements, Notes to the Financial Statements, Required Supplementary Information, and Other Supplementary Information.

### **USING THIS ANNUAL REPORT AND REQUIRED FINANCIAL STATEMENTS**

This annual report consists of several basic financial statements. The statement of net assets provides a measure of the difference between the District's assets and its liabilities at a given point in time, at our fiscal year-end date of June 30. The statement of activities provides information about the sources of income and how the resources were used during the fiscal year. The statement of cash flows gives a detail of how cash was received and used during the fiscal year. The budgetary comparison data compares actual results of operations against budgeted amounts. Our analysis of the financial status of Tipton County Emergency Communications District begins below.

One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The statement of Net Assets and the Statement of Activities report information about the District and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

### **CONDENSED COMPARATIVE FINANCIAL INFORMATION**

The district's total net assets increased from a year ago, and this analysis presents net assets at June 30 for two years (Table 1) and the changes in net assets (Table 2) for each of the years.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*Tipton County Emergency Communications District*  
*June 30,*

**TABLE 1**  
**NET ASSETS**  
**(IN THOUSANDS)**

	<u><b>2008</b></u>	<u><b>2007</b></u>
Current Assets	\$ 1,068	\$ 848
Equipment	650	764
Total Assets	<u>1,718</u>	<u>1,612</u>
Current Liabilities	25	39
Net Assets		
Invested in capital assets	650	764
Unrestricted	<u>1,043</u>	<u>809</u>
Total Net Assets	<u><u>\$ 1,693</u></u>	<u><u>\$ 1,573</u></u>

Total net assets increased by \$119,970 during the current year as a result of revenues from telephone tariffs and grants from participating governments.

A summary of the District's Statement of Revenues, Expenses, and Changes in Net Assets is given below.

**TABLE 2**  
**REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**(IN THOUSANDS)**

	<u><b>2008</b></u>	<u><b>2007</b></u>
Revenues and Contributions		
Operating revenues	\$ 694	\$ 753
Contributions from local governments	304	564
Interest and other	34	185
Total Revenues and Contributions	<u>1,032</u>	<u>1,502</u>
Operating Expenses		
Salaries and benefits	634	591
Contracted services	103	130
Supplies and materials	22	24
Depreciation	125	104
Other	28	25
Total Operating Expenses	<u>912</u>	<u>874</u>
Change in Net Assets	<u><u>\$ 120</u></u>	<u><u>\$ 628</u></u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*Tipton County Emergency Communications District*  
*June 30, 2008*

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Our steadily increasing total expenses, particularly in the areas of salaries and benefits and depreciation of equipment.

Our expenses were up from \$874,000 to \$912,000 largely due to increased salaries of \$38,000.

### **BUDGETARY MATTERS**

Several times during the course of the year budgeted income and expenses were changed to reflect changing expectations and desires of the board to allocate resources to achieve our objectives.

### **CAPITAL ASSET ADMINISTRATION**

At the end of our fiscal year the District has a total of \$649,000 invested in various capital assets, primarily in communications equipment, stated at original cost less related depreciation expense.

**TABLE 3**  
**CAPITAL ASSETS AT YEAR-END**  
**(IN THOUSANDS)**

	<b><u>2008</u></b>	<b><u>2007</u></b>
Communication equipment	\$ 603	\$ 712
Furniture and fixtures	11	9
Vehicle	9	14
Dispatch room	26	29
Total Capital Assets	<u>\$ 649</u>	<u>\$ 764</u>

This year's main additions were office furnishings and other communications equipment of \$11,442.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Due to continuing inflation and a steadily increasing population, the District was forced to raise its rates to its local government partners in the current 2008-2009 fiscal year. We hope that the small increases will be sufficient to fund our routine operations for the immediate future.

The District budgets a total of \$10,000 in new equipment purchases for the current year ending June 30, 2008. We expect to receive state grants in this amount to fund these purchases. The other large increase over the prior year's budget was in the personnel area, with a 3% salary increase for current employees, plus another dispatch position added.



## STATEMENT OF NET ASSETS

*Tipton County Emergency Communications District*  
*June 30,*

ASSETS	<u>2008</u>	<u>2007</u>
Current Assets		
Cash	\$ 644,367	\$ 346,994
Investments - certificates of deposit	363,823	336,089
Accrued interest receivable	827	57
Accounts receivable	<u>59,189</u>	<u>165,231</u>
Total Current Assets	<u>1,068,206</u>	<u>848,371</u>
Noncurrent assets		
<u>Capital assets</u>		
Communications equipment	1,135,400	1,124,422
Furniture	37,242	36,771
Vehicles	22,750	22,750
Leasehold improvements	<u>59,422</u>	<u>59,422</u>
Total capital assets	1,254,814	1,243,365
Less accumulated depreciation	<u>(605,338)</u>	<u>(479,836)</u>
Capital assets, net	<u>649,476</u>	<u>763,529</u>
Total Assets	<u>\$ 1,717,682</u>	<u>\$ 1,611,900</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 6,129	\$ 17,758
Accrued payroll	14,392	7,584
Accrued payroll taxes	395	205
Accrued expenses	-	7,741
Compensated absences	<u>4,143</u>	<u>5,960</u>
Total Current Liabilities	<u>25,059</u>	<u>39,248</u>
Net Assets		
Invested in capital assets	649,476	763,529
Unrestricted net assets	<u>1,043,147</u>	<u>809,123</u>
	<u>1,692,623</u>	<u>1,572,652</u>
Total Liabilities and Net Assets	<u>\$ 1,717,682</u>	<u>\$ 1,611,900</u>

*See independent auditor's report and notes to financial statements.*

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

*Tipton County Emergency Communications District*  
*For the year ended June 30,*

	<u>2008</u>	<u>2007</u>
Operating revenue		
Emergency telephone service charges	\$ 473,924	\$ 507,331
Tennessee emergency communications board shared wireless fund	99,474	243,929
Tennessee emergency communications board operational funding	120,041	-
Other operating revenue	<u>255</u>	<u>1,594</u>
	<u>693,694</u>	<u>752,854</u>
Operating expenses		
Salaries and wages		
Director	42,699	39,302
Administrative personnel	15,420	22,825
Dispatchers	424,837	378,045
Part-time personnel	<u>1,682</u>	<u>6,099</u>
Total salaries and wages	<u>484,638</u>	<u>446,271</u>
Employee benefits		
Payroll taxes	39,508	35,113
Insurance	61,891	65,086
Retirement contributions	<u>47,678</u>	<u>44,328</u>
Total employee benefits	<u>149,077</u>	<u>144,527</u>
Contracted services		
Advertising	914	-
Audit and accounting services	7,800	7,250
Fees paid to service providers	56,729	49,714
Legal services and other consultants	5,919	28,596
Maintenance agreements	18,114	12,300
NCIC/TBI/TIES expenses	6,950	4,030
Equipment repair and operations	1,542	22,356
Vehicle expense	-	487
Other contracted services	<u>4,434</u>	<u>4,844</u>
Total contracted services	<u>102,402</u>	<u>129,577</u>

*See independent auditor's report and notes to financial statements.*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
(CONTINUED )**

*Tipton County Emergency Communications District  
For the year ended June 30,*

	<u><b>2008</b></u>	<u><b>2007</b></u>
Supplies and Materials		
Office supplies and postage	3,985	9,560
Other supplies	1,634	1,115
Uniforms	3,143	-
Utilities and telephone	<u>13,465</u>	<u>13,113</u>
Total supplies and materials	<u>22,227</u>	<u>23,788</u>
Other charges		
Boards and meetings	2,750	2,526
Dues and memberships	436	436
Insurance	10,273	9,894
Training and travel	13,213	9,752
Other	<u>1,738</u>	<u>3,758</u>
Total other charges	<u>28,410</u>	<u>26,366</u>
Depreciation	<u>125,495</u>	<u>103,630</u>
	<u>912,249</u>	<u>874,159</u>
Operating income	(218,555)	(121,305)
Non-operating revenue		
Interest income	31,810	20,303
Contributions from other governments and agencies	304,221	563,683
Tennessee Emergency Commuications Board	<u>2,494</u>	<u>165,000</u>
grants and reimbursements	<u>338,525</u>	<u>748,986</u>
Change in net assets	119,970	627,681
Net Assets - Beginning of Year	<u>1,572,653</u>	<u>944,971</u>
Net Assets - End of Year	<u><u>\$ 1,692,623</u></u>	<u><u>\$ 1,572,652</u></u>

*See independent auditor's report and notes to financial statements.*

## STATEMENT OF CASH FLOWS

*Tipton County Emergency Communications District*  
*For the year ended June 30,*

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from surcharges and other revenues	\$ 799,737	\$ 629,699
Cash payments to suppliers for goods and services	(164,668)	(168,928)
Cash payments for payroll, taxes, and related benefits	(636,276)	(588,909)
Net Cash Used by Operating Activities	<u>(1,207)</u>	<u>(128,138)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Contributions from Tennessee Emergency Board of Communications	2,494	10,000
Contributions from other governments and agencies	<u>304,221</u>	<u>284,221</u>
Net Cash Provided by Noncapital Financing Activities	<u>306,715</u>	<u>294,221</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED</b>		
Purchase of capital assets	(11,442)	(378,390)
Contributions from Tennessee Emergency Board of Communications	-	155,000
Contributions from other governments and agencies	<u>-</u>	<u>279,541</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(11,442)</u>	<u>56,151</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificates of deposit	(363,821)	(110,700)
Redemption of certificates of deposit	336,088	-
Interest received	<u>31,040</u>	<u>16,374</u>
Net Cash Provided by (Used In) Investing Activities	<u>3,307</u>	<u>(94,326)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	297,373	127,908
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>346,994</u>	<u>219,086</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 644,367</u></u>	<u><u>\$ 346,994</u></u>

*See independent auditor's report and notes to financial statements.*

## STATEMENT OF CASH FLOWS (CONTINUED)

*Tipton County Emergency Communications District*  
*For the year ended June 30,*

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### RECONCILIATION OF OPERATING LOSS TO CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

Operating loss	\$ (218,555)	\$ (121,305)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	125,495	103,630
(Increase) decrease in accounts receivable	106,042	(123,155)
Increase (decrease) in accounts payable	(11,629)	12,692
Increase (decrease) in compensated absences	<u>(2,560)</u>	<u>-</u>
Total Adjustments	<u>217,348</u>	<u>(6,833)</u>
Net Cash Used in Operating Activities	<u><u>\$ (1,207)</u></u>	<u><u>\$ (128,138)</u></u>

## NOTES TO FINANCIAL STATEMENTS

*Tipton County Emergency Communications District*  
*June 30, 2008*

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Reporting Entity*

The Tipton County Emergency Communication District is a component unit of Tipton County, Tennessee, the primary government unit. The Tipton County Emergency Communication District is considered a component unit of Tipton County because Tipton County appoints a majority of the organization's Board of Directors, and there is potential for provision of specific financial benefits to primary government. The financial statements present only the financial position and changes in financial position of the Tipton County Emergency Communication District and are not intended to present fairly the financial position of Tipton County, Tennessee and the changes in its financial positions in conformity of U.S. generally accepted accounting principles.

The Tipton County Emergency Communications District was formed by the Tipton County Legislative under provisions of Tennessee law on June 30, 1988. As such, it is a public corporation, not subject to federal or Tennessee income taxes, and authorized to maintain and operate an emergency communications system providing 911 service within the boundaries of Tipton County, Tennessee. Under law it is a body politic, without powers of taxation, governed by an appointed nine-member Board of Directors. It is funded by monthly user fees, or tariff rates, charged on each resident and business telephone within the County and by fees from participating governments.

#### *Basis of Presentation*

The proprietary fund of the District is accounted for using the "economic resources" measurement focus. Accordingly all assets and liabilities are included (whether current or non-current) are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (revenues) and decreases (expenses) in total net assets.

Operating revenues in the proprietary fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

#### *Basis of Accounting*

The proprietary fund uses the full accrual method of accounting, whereby revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized which incurred.

## NOTES TO FINANCIAL STATEMENTS

*Tipton County Emergency Communications District  
June 30, 2008*

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Proprietary Activity Accounting and Financial Reporting*

Management has applied all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before December 10, 1989, unless those pronouncements conflict with or contradict GASB pronouncements:

- FASB Statements and Interpretations
- Accounting Principles Board (APB) Opinions
- Accounting Research Bulletins of the Committee on Accounting Procedure

#### *Cash and cash equivalents*

The District considers all certificates of deposit with original maturities of three months or less to be cash equivalents

#### *Property and Equipment*

Property and equipment items are carried at cost. Expenditures, which materially increase values or extend useful lives are capitalized while replacements, maintenance and repairs, which do not improve or extend lives of respective assets are charged against income as incurred. A provision for depreciation is made on a basis considered adequate to amortize the costs over their estimated useful lives using the straight-line method. Useful lives are estimated at 8-10 years. Interest is capitalized during the period at which an asset is under construction if the interest charges are material and if the assets require a period of time to get them ready for their intended use.

#### *Compensated Absences*

As vacation pay for eligible employees is earned on the basis of services already performed, and it is probable that the compensated absence will be paid, the District accrues vacation pay as earned. At the end of any calendar year, any employee who has not taken their vacation will be paid for any unused time or allowed to carryover a maximum of forty hours to any following year. Sick pay is subject to stringent requirements and is not paid if not taken. For these reasons, it is not accrued but recorded as a period expense when paid.

#### *Income Taxes*

The Districts have been classified by the Internal Revenue Service as being exempt from federal income tax under Section 501(c) 3 of the Internal Revenue Code, and therefore, no allowance for federal income taxes is included in the financial statements.

## NOTES TO FINANCIAL STATEMENTS

*Tipton County Emergency Communications District*  
*June 30, 2008*

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### *Use of Estimates*

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from the estimates that were used.

#### *Budgets*

Tipton County Emergency Communications District prepares budgets for management monitoring and control and to comply with Tennessee law. These budgets are approved by the Board of Directors and on a basis consistent with generally accepted accounting principles. Appropriations lapse at the end of the year. Encumbrance accounting is not used.

#### *Other Accounting and Reporting Matters*

The Tipton County Emergency Communication District accounts for all resources over which its Board of Directors has discretionary control to use in carrying out its operations in accordance with the limitations of its charter and by-laws.

#### *Summarized Financial Information for 2007*

The financial statements include certain prior year summarized comparative information by function and in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the entity's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

#### *Reclassifications*

Certain information in the 2007 financial statements has been reclassified for comparative purposes to conform to the 2008 presentation.



## NOTES TO FINANCIAL STATEMENTS

*Tipton County Emergency Communications District*  
*June 30, 2008*

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### 2. DEPOSITS AND INVESTMENTS

Cash on the Statement of Net Assets at June 30, 2008 consists of demand deposits and certificates of deposit. Certificates of deposit with maturity dates exceeding three months are classified as investments on the Statement of Net Assets. Deposits of the Tipton County Emergency Communications District are held separately and apart from any other County Funds. Various restrictions on deposits and investments, including repurchase agreements, are imposed by state statutes.

Deposits – All deposits with financial institutions other than savings and loan associations must be collateralized in an amount equal to 105% of the face amount of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county. Deposits with savings and loan associations must be collateralized by one of the following methods:

- 1) By an amount equal to 105% of the same character as that required for other financial institutions.
- 2) By an irrevocable letter of credit issued by the Federal Home Loan Bank.
- 3) By providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

### 3. CAPITAL ASSETS

Capital asset activity is as follows (all capital assets are being depreciated) :

	<b>Balance</b> <b>July 1, 2007</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b> <b>June 30, 2008</b>
Capital Assets				
Dispatch room improvement	59,421		-	59,421
Communications equipment	1,124,537	10,970	-	1,135,507
Furniture and fixtures	36,664	472	-	37,136
Vehicle	<u>22,750</u>	<u>-</u>	<u>-</u>	<u>22,750</u>
Capital Assets at Cost	<u>1,243,372</u>	<u>11,442</u>	<u>-</u>	<u>1,254,814</u>
Less accumulated depreciation				
Dispatch room improvement	30,283	3,125	-	33,408
Communications equipment	418,524	113,410	-	531,934
Furniture and fixtures	21,936	4,410	-	26,346
Vehicle	<u>9,100</u>	<u>4,550</u>	<u>-</u>	<u>13,650</u>
	<u>479,843</u>	<u>125,495</u>	<u>-</u>	<u>605,338</u>
Capital Assets, Net	<u>\$ 763,529</u>	<u>\$ (114,053)</u>	<u>\$ -</u>	<u>\$ 649,476</u>

*Continued*

## NOTES TO FINANCIAL STATEMENTS

*Tipton County Emergency Communications District*  
*June 30, 2008*

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### 4. PENSION PLAN

#### **Plan Description**

Employees of TIPTON COUNTY ECD are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as TIPTON COUNTY ECD participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

#### ***Funding Policy***

TIPTON COUNTY ECD has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

TIPTON COUNTY ECD is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 10.00% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for TIPTON COUNTY ECD is established and may be amended by the TCRS Board of Trustees.

## NOTES TO FINANCIAL STATEMENTS

*Tipton County Emergency Communications District*  
*June 30, 2008*

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### 4. PENSION PLAN (Continued)

#### *Annual Pension Cost*

For the year ending June 30, 2008, TIPTON COUNTY ECD's annual pension cost of \$47,678 to TCRS was equal to TIPTON COUNTY ECD's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. TIPTON COUNTY ECD's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 13 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

#### **Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 47,678	100%	\$ -
June 30, 2007	43,490	100%	-
June 30, 2006	35,099	100%	-

## NOTES TO FINANCIAL STATEMENTS

*Tipton County Emergency Communications District  
June 30, 2008*

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### **4. PENSION PLAN (Continued)**

#### ***Funded Status and Funding Progress***

As of July 1, 2007, the most recent actuarial date, the plan was 83.04% percent funded. The actuarial accrued liability for benefits was \$0.32 million, and the actuarial value of assets was \$.26million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.05 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.43 million, and the ratio of the UAAL to the covered payroll was 12.53% percent.

The schedule of funding in progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress for the plan.

### **5. RENTAL OF PREMISES**

The Tipton County Emergency Communications District occupies space in a county-owned building at no expense.

### **6. INSURANCE COVERAGE**

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past four fiscal years.

## **SUPPLEMENTAL DATA**

## SUPPLEMENTAL DATA – BUDGETARY COMPARISON

*Tipton County Emergency Communications District*  
*June 30, 2008*

	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<u>Variance With Final Budget</u>
Operating revenue				
Emergency telephone service charges	\$ 473,924	\$ 495,000	\$ 473,924	\$ -
Tennessee emergency communications board shared wireless fund	99,474	105,888	99,474	-
Tennessee emergency communications board operational funding	120,041	120,041	120,041	-
Other operating revenue	<u>255</u>	<u>600</u>	<u>255</u>	<u>-</u>
	693,694	721,529	693,694	-
Operating expenses				
Salaries and wages				
Director	42,699	45,000	42,699	-
Administrative personnel	15,420	32,000	15,420	-
Dispatchers	424,837	498,984	424,837	-
Part-time personnel	<u>1,682</u>	<u>20,800</u>	<u>1,682</u>	<u>-</u>
Total salaries and wages	<u>484,638</u>	<u>596,784</u>	<u>484,638</u>	<u>-</u>
Employee benefits				
Payroll taxes	39,508	60,000	39,508	-
Insurance	61,891	115,935	61,891	-
Retirement contributions	<u>47,678</u>	<u>60,000</u>	<u>47,678</u>	<u>-</u>
Total employee benefits	<u>149,077</u>	<u>235,935</u>	<u>149,077</u>	<u>-</u>
Contracted services				
Advertising	914	-	914	-
Audit and accounting services	7,800	7,500	7,800	-
Fees paid to service providers	56,729	58,000	56,729	-
Legal services and other consultants	5,919	25,000	5,919	-
Maintenance agreements	18,114	18,000	18,114	-
NCIC/TBI/TIES expenses	6,950	7,500	6,950	-
Communications equipment purchases	-	60,000	-	-
Equipment repair and operations	1,542	22,600	1,542	-
Vehicle expense	-	15,000	-	-
Other contracted services	<u>4,434</u>	<u>11,800</u>	<u>4,434</u>	<u>-</u>
Total contracted services	<u>102,402</u>	<u>225,400</u>	<u>102,402</u>	<u>-</u>

*See notes to financial statements.*

## SUPPLEMENTAL DATA – BUDGETARY COMPARISON (CONTINUED)

*Tipton County Emergency Communications District*  
*June 30, 2008*

	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<b>Variance With Final Budget</b>
Supplies and Materials				
Office supplies and postage	3,985	16,320	3,985	-
Other supplies	1,634	1,000	1,634	-
Uniforms	3,143	4,800	3,143	-
Utilities and telephone	13,465	18,000	13,465	-
Total supplies and materials	<u>22,227</u>	<u>40,120</u>	<u>22,227</u>	<u>-</u>
Other charges				
Boards and meetings	2,750	6,000	2,750	-
Dues and memberships	436	2,600	436	-
Insurance	10,273	13,836	10,273	-
Training and travel	13,213	26,000	13,213	-
Other	1,738	9,000	1,738	-
Total other charges	<u>28,410</u>	<u>57,436</u>	<u>28,410</u>	<u>-</u>
Depreciation	<u>125,495</u>	<u>-</u>	<u>125,495</u>	<u>-</u>
	<u>912,249</u>	<u>1,155,675</u>	<u>912,249</u>	<u>-</u>
Operating income	(218,555)	(434,146)	(218,555)	-
Non-operating revenue				
Interest income	31,810	12,000	31,810	-
Contributions from other governments and agencies	304,221	304,221	304,221	-
Federal grants	-	-	-	-
Tennessee Emergency Communications Board grants and reimbursements	<u>2,494</u>	<u>4,575</u>	<u>2,494</u>	<u>-</u>
	<u>338,525</u>	<u>320,796</u>	<u>338,525</u>	<u>-</u>

*See notes to financial statements.*

## **SUPPLEMENTAL DATA—SCHEDULE OF INVESTMENTS**

*Tipton County Emergency Communications District*  
*June 30, 2008*

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### **CERTIFICATES OF DEPOSIT:**

<b>Due Date</b>	<b>Interest Rate</b>	<b>Amount</b>
11/4/2008	4.89%	\$ 88,989
12/27/2008	3.11%	112,000
12/27/2008	4.50%	58,015
7/29/2008	4.75%	<u>104,819</u>
		<u><u>\$ 363,823</u></u>



**SUPPLEMENTAL DATA – FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

*Tipton County Emergency Communications District  
June 30, 2008*

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures	Ending (Accrued) Deferred
TN Emergency Communications Board				\$ 2,494	\$ 2,494	\$ -
				<u>\$ 2,494</u>	<u>\$ 2,494</u>	<u>\$ -</u>

*See notes to financial statements.*

## SUPPLEMENTAL DATA

*Tipton County Emergency Communications District*  
*June 30, 2008*

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Number of public safety answering points	1
Locations:	220 Hwy 51 N., Suite 4 Covington, TN 38019
Type of system/equipment and database	Bellsouth Interact Foxpro Database
Director	Ruth Renee Downing 220 Hwy 51 N., Suite 4 Covington, TN 38019 901-476-0252 901-475-4377 (Fax)
Chairman	James Sneed 2101 Wilkinsville Rd. Drummonds, TN 38023 901-835-5994

# SCOTT & POHLMAN p.c.

CERTIFIED PUBLIC ACCOUNTANTS \_\_\_\_\_

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Tipton County Emergency Communications District

We have audited the financial statements of Tipton County Emergency Communications District, as of and for the year ended June 30, 2008. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Tipton County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tipton County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described in the accompanying schedule of findings (2008-1) to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement on the financial statements will not be prevented or detected by the organization's internal control.

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#### Internal Control Over Financial Reporting – Continued

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tipton County Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of Tipton County Emergency Communications District in a separate letter dated December 1, 2008.

Tipton County Emergency Communications District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit Tipton County Emergency Communications District's response and, accordingly we express no opinion on it.

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Scott & Pohlman, P.C.  
December 1, 2008

A handwritten signature in black ink that reads "Scott & Pohlman, P.C." in a cursive, flowing script.

## SCHEDULE OF FINDINGS

*Tipton County Emergency Communications District*  
*June 30, 2008*

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### A. Findings – Financial Statements Audit

#### SIGNIFICANT DEFICIENCIES

##### 2008-1 Lack of segregation of duties

Condition:	The District has a lack of segregation of duties with regard to certain accounting functions related to cash, accounts receivable, accounts payable, other liabilities, and payroll.
Criteria:	Internal controls should be in place to insure mitigating controls, such as supervision and review are performed on a regular basis.
Effect:	The District is the typical small entity with a limited number of accounting personnel. The lack of accounting personnel inherently creates the situation preventing the separation of incompatible duties.
Recommendation:	In its present state the District should take no actions with regard to the lack of segregation of duties. The intimate involvement of the board of directors in the operations provides mitigating controls. As the District grows and the Director's capacity for completing additional tasks diminishes, the District should consider adding additional accounting personnel as required.
Response:	The management agrees but is unable to take any action at the present time.